

VAN BUREN COMMUNITY SCHOOL DISTRICT
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2006

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Van Buren Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
(Before September 2005 election)		
Tony Huffman	President	2007
Terry Jester	Vice President	2006
Dixie Daugherty	Board Member	2007
Jon Finney	Board Member	2006
Tim Blair	Board Member	2005
Sheila Parsons	Board Member	2005
Jean McIntosh	Board Member	2007
Board of Education		
(After September 2005 election)		
Tony Huffman	President	2007
Jon Finney	Vice President	2006
Terry Jester	Board Member	2006
Dixie Daugherty	Board Member	2007
Tim Blair	Board Member	2008
Sheila Parsons	Board Member	2008
Jean McIntosh	Board Member (Resigned)	2007
Dale Hornberg	Board Member (Appointed)	2006
School Officials		
Richard Barton	Superintendent	2005
Dr. Karen Stinson	Superintendent	2006
Robyn Nolting	Board Secretary	2006
Janet Phelps	Board Treasurer	2006
Crystal Cronk	Attorney	2006

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Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
Van Buren Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Van Buren Community School District, Keosauqua, Iowa as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Van Buren Community School District at June 30, 2006, and the respective changes in financial position and cash flows, where applicable, for the year ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated August 17, 2006, on our consideration of the Van Buren Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 33 through 34 are not required parts of the basic financial statements, but are supplementary

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information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Van Buren Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the year ended June 30, 2005 (which is not presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 5, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


NOLTE, CORNMAN & JOHNSON, P.C.

August 17, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

Van Buren Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2006. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2006 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$7,137,680 in fiscal 2005 to \$8,091,405 in fiscal 2006, while General Fund expenditures increased from \$7,165,912 in fiscal 2005 to \$7,897,412 in fiscal 2006. This resulted in an increase in the District's General Fund balance from \$1,522,311 in fiscal 2005 to a balance of \$1,716,304 in fiscal 2006, a 12.74% increase from the prior year.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Van Buren Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Van Buren Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Van Buren Community School District acts solely as an agent or custodial for the benefit of those outside of the School District.

Notes to the financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1
Van Buren Community School District Annual Financial Report

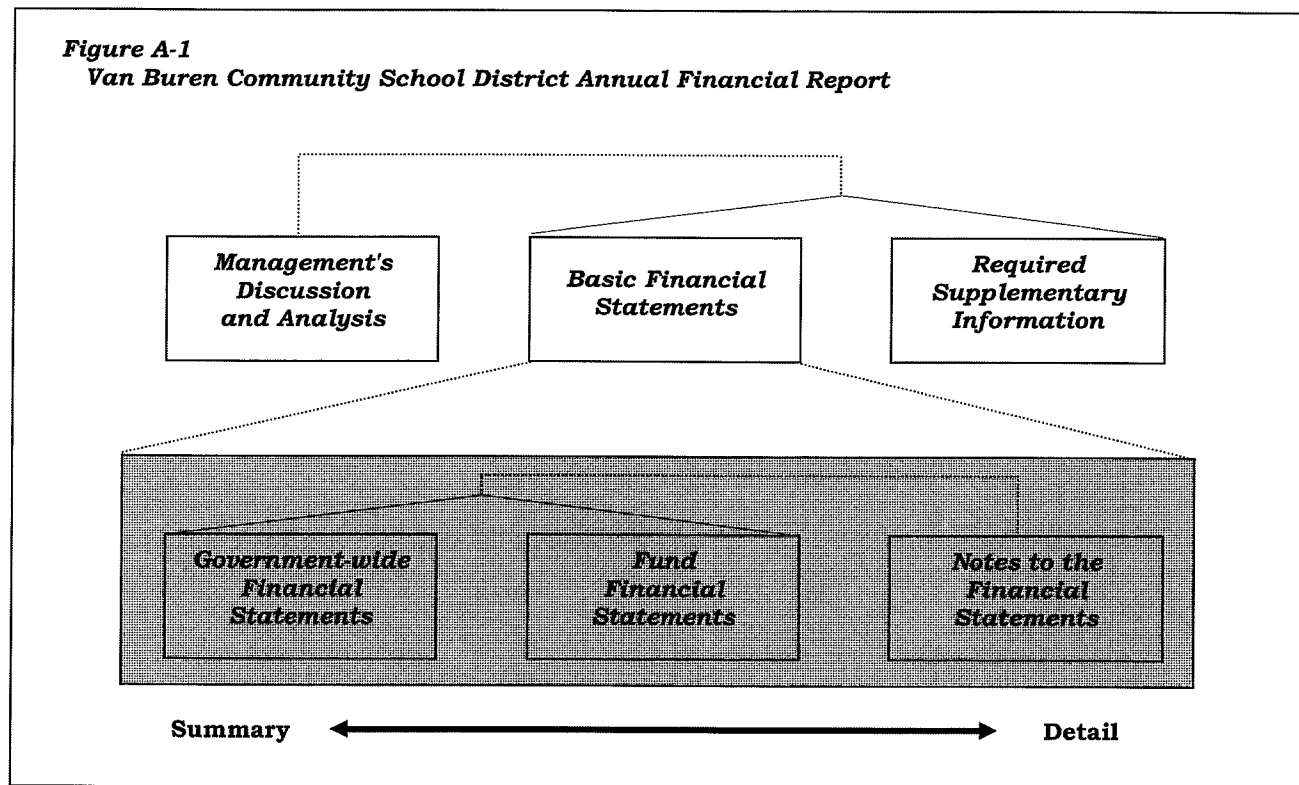


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-wide and Fund Financial Statements			
	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services and adult education
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of Net Assets • Statement of revenues, expenses and changes in net assets • Statement of cash flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has two kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Capital Projects Fund and the Debt Service Fund.

The required financial statements for the governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide

financial statements. The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has two enterprise funds, the School Nutrition Fund, and the Day Care Fund.

The required financial statements for the proprietary funds include a statement of revenues, expenses and changes in net assets and a statement of cash flows.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2006 compared to June 30, 2005.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2006	2005	2006	2005	2006	2005	2005-06
Current and other assets	\$ 6,377,735	5,486,088	39,121	42,029	6,416,856	5,528,117	16.08%
Capital assets	7,866,297	7,472,114	27,358	31,244	7,893,655	7,503,358	5.20%
Total assets	14,244,032	12,958,202	66,479	73,273	14,310,511	13,031,475	9.81%
Long-term obligations	2,165,480	2,340,000	0	0	2,165,480	2,340,000	-7.46%
Other liabilities	3,456,302	3,185,770	150,254	132,469	3,606,556	3,318,239	8.69%
Total liabilities	5,621,782	5,525,770	150,254	132,469	5,772,036	5,658,239	2.01%
Net assets:							
Investment in capital assets, net of related debt	6,441,920	5,713,679	27,358	31,244	6,469,278	5,744,923	12.61%
Restricted	319,728	64,949	0	0	319,728	64,949	392.28%
Unrestricted	1,860,602	1,653,804	(111,133)	(90,440)	1,749,469	1,563,364	11.90%
Total net assets	\$ 8,622,250	7,432,432	(83,775)	(59,196)	8,538,475	7,373,236	15.80%

The District's combined net assets increased by 15.80%, or \$1,165,239, over the prior year. The largest portion of the District's net assets is the invested in capital assets, net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased \$254,779, or 392.28% over the prior year. The increase was primarily a result of the reclassifying the Special Revenue, Physical Plant and Equipment Levy Fund and increases in state grant carryovers.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased \$186,105, or 11.90%. This increase is due to the increase in fund balance in the General Fund.

Figure A-4 shows the changes in net assets for the year ended June 30, 2006 compared to June 30, 2005.

Figure A-4 Changes of Net Assets							
	Governmental Activities		Business-type Activities		Total School District		Total Change
	2006	2005	2006	2005	2006	2005	2005-06
Revenues and Transfers:							
Program revenues:							
Charges for services	\$ 390,587	455,764	278,794	276,878	669,381	732,642	-8.63%
Operating grants and contributions and restricted interest	2,001,809	1,402,629	170,553	179,168	2,172,362	1,581,797	37.34%
Capital grants and contributions and restricted interest	360,938	160,000	0	0	360,938	160,000	125.59%
General revenues:							
Property tax	2,811,719	2,971,159	0	0	2,811,719	2,971,159	-5.37%
Local option sales and services tax	438,558	141,237	0	0	438,558	141,237	210.51%
Unrestricted state grants	3,368,582	3,141,762	0	0	3,368,582	3,141,762	7.22%
Unrestricted investment earnings	79,122	50,820	593	660	79,715	51,480	54.85%
Other	214,391	4,057	0	0	214,391	4,057	5184.47%
Transfers	(49,484)	(200,000)	49,484	200,000	0	0	0.00%
Total revenues and transfers	9,616,222	8,127,428	499,424	656,706	10,115,646	8,784,134	15.16%
Program expenses:							
Governmental activities:							
Instructional	4,880,113	4,872,481	22,892	0	4,903,005	4,872,481	0.63%
Support services	3,041,908	2,265,683	16,367	0	3,058,275	2,265,683	34.98%
Non-instructional programs	1,907	28,950	484,744	590,442	486,651	619,392	-21.43%
Other expenses	502,476	559,287	0	0	502,476	559,287	-10.16%
Total expenses	8,426,404	7,726,401	524,003	590,442	8,950,407	8,316,843	7.62%
Changes in net assets	1,189,818	401,027	(24,579)	66,264	1,165,239	467,291	149.36%
Beginning net assets	7,432,432	7,031,405	(59,196)	(125,460)	7,373,236	6,905,945	6.77%
Ending net assets	\$ 8,622,250	7,432,432	(83,775)	(59,196)	8,538,475	7,373,236	15.80%

Property tax, local option sales and services tax and unrestricted state grants account for 66% of the total revenue. The District's expenses primarily relate to instruction and support services which account for 89% of the total expenses.

Governmental Activities

Revenues and transfers out for governmental activities were \$9,616,222 and expenses were \$8,426,404.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services	Net Cost of Services
Instruction	\$ 4,880,113	2,732,290
Support services	3,041,908	3,039,486
Non-instructional	1,907	1,907
Other expenses	502,476	(100,613)
Totals	<u>\$ 8,426,404</u>	<u>5,673,070</u>

- The cost financed by users of the District's programs was \$390,587.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$2,362,747.
- The net cost of governmental activities was financed with \$2,811,719 in property tax, \$438,558 in local option sales and services tax, \$3,368,582 in unrestricted state grants, \$79,122 in interest income, \$543 in gain on sale of equipment and \$213,848 in other revenue.

Business-Type Activities

Revenues and transfers in of the District's business-type activities were \$499,424 and expenses were \$524,003. The District's business-type activities include the School Nutrition Fund and the Day Care Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and interest income.

INDIVIDUAL FUND ANALYSIS

As previously noted, the Van Buren Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$2,716,298, above last year's ending fund balance of a \$2,096,683.

Governmental Fund Highlights

- The District's General Fund financial position is the product of many factors. Growth during the year in taxes, state and federal sources resulted in an increase in revenues. However, along with the increase in revenues, the General Fund also had an increase in expenditures. The General Fund balance increased from \$1,522,311 in fiscal year 2005 to \$1,716,304 in fiscal year 2006, due in to increased tax and grant revenues.
- The Capital Projects Fund balance was utilized for the collection of local option sales and services tax. The District makes transfers to the Debt Service to provide debt relief in repayment of the General Obligation Bonds. The Capital Projects balance increased from \$173,564 in fiscal year 2005 to \$408,491 in fiscal year 2006, due to the increase in local option sales and services tax revenue.
- The Debt Service Fund balance was utilized for the payments of principal and interest on bonds. Due to the bond requirements the District is required to create an escrow at Bank America that will be used to payoff the Qualified Zone Academy Bond. The Debt Service balance increased from \$95,278 in fiscal year 2005 to \$323,846 in fiscal year 2006, due to the increase in the escrow reserve and the increase local option sales and services tax relief provided to fund debt repayments.

Proprietary Fund Highlights

The School Nutrition Fund net assets increased from \$23,232 at June 30, 2005 to \$64,345 at June 30, 2006, representing an increase of 176.70%.

The Day Care Fund net assets decreased from a deficit of \$82,428 at June 30, 2005 to a deficit of \$148,120 at June 30, 2006, representing a decrease of 79.70% over the prior year.

BUDGETARY HIGHLIGHTS

The District's receipts were \$324,283 more than budgeted receipts, a variance of 3.31%. The most significant variance resulted from the District receiving more in federal sources than originally anticipated.

Total expenditures were less than budgeted, primarily due to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

In spite of the District's budgetary practice, the certified budget was exceeded in the non-instructional programs and other expenditures functions due to the timing of expenditures at year-end without sufficient time to amend the certified budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2006, the District had invested \$7,893,655, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) More detailed information about capital assets is available in Note 6 to the financial statements. Depreciation expense for the year was \$265,632.

The original cost of the District's capital assets was \$10,706,581. Governmental funds account for \$10,604,919 with the remainder of \$101,662 in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$235,596 at June 30, 2006, compared to \$0 reported at June 30, 2005. This increase resulted from an addition to the Stockport Elementary School Addition that was started during the year and not completed.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2006	2005	2006	2005	2006	2005	2005-06
Land	\$ 39,311	39,311	0	0	39,311	39,311	0.00%
Construction in progress	235,596	0	0	0	235,596	0	100.00%
Buildings	7,215,513	7,046,151	0	0	7,215,513	7,046,151	2.35%
Land improvements	30,595	32,732	0	0	30,595	32,732	-6.98%
Machinery and equipment	345,282	353,920	27,358	31,244	372,640	385,164	-3.36%
Total	\$ 7,866,297	7,472,114	27,358	31,244	7,893,655	7,503,358	4.94%

Long-Term Debt

At June 30, 2006, the District had \$2,340,000 in general obligation and other long-term debt outstanding. This represents a decrease of 7.5% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 7 to the financial statements.

The District had outstanding general obligation bonds of \$1,645,000 at June 30, 2006.

The District had outstanding qualified zone academy bonds of \$500,000 at June 30, 2006.

The District had outstanding early retirement payable from the Special Revenue, Management Fund of \$20,480 at June 30, 2006.

Figure A-7
Outstanding Long-Term Obligations

	Total School District		Total Change
	2006	2005	
General obligation bonds	\$ 1,645,000	1,840,000	-10.6%
Qualified zone academy bonds	500,000	500,000	0.0%
Early retirement	20,480	0	100.0%
Totals	<u>\$ 2,165,480</u>	<u>2,340,000</u>	<u>-7.5%</u>

FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- The upcoming Iowa legislative session could again prove to be most challenging in respect to the state budget. The impact of state reductions to education is an unknown that we must be ready to address and compensate.
- The District receives a large amount of federal and state monies through grants. The grants have to be approved and their continuation depends on federal and state funding.
- The District has experienced reduced enrollment for the last few years, cutting state aid to the District.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Robyn Nolting, Board Secretary/Business Manager, Van Buren Community School District, 503 Henry Street, Keosauqua, Iowa, 52565.

BASIC FINANCIAL STATEMENTS

VAN BUREN COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2006

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents:			
ISCAP(Note 5)	\$ 961,661	0	961,661
Other	1,990,077	31,838	2,021,915
Receivables			
Property tax:			
Delinquent	55,758	0	55,758
Succeeding year	2,469,184	0	2,469,184
Income surtax	216,849	0	216,849
Accrued ISCAP interest(Note 5)	299	0	299
Due from other governments	683,907	0	683,907
Inventories	0	7,283	7,283
Capital assets, net of accumulated depreciation(Note 6)	7,866,297	27,358	7,893,655
TOTAL ASSETS	14,244,032	66,479	14,310,511
LIABILITIES			
Excess of warrants issued over bank balance	0	148,113	148,113
Accounts payable	798	7	805
ISCAP warrants payable(Note 5)	963,000	0	963,000
ISCAP accrued interest payable(Note 5)	245	0	245
ISCAP unamortized premium	7,328	0	7,328
Interest payable	11,714	0	11,714
Deferred revenue:			
Succeeding year property tax	2,469,184	0	2,469,184
Other	4,033	0	4,033
Unearned revenue	0	2,134	2,134
Long-term liabilities(Note 7):			
Portion due within one year:			
General obligation bonds payable	210,000	0	210,000
Early retirement payable	20,480	0	20,480
Portion due after one year:			
General obligation bonds payable	1,435,000	0	1,435,000
Qualified zone academy bonds	500,000	0	500,000
TOTAL LIABILITIES	5,621,782	150,254	5,772,036
NET ASSETS			
Investment in capital assets, net of related debt	6,441,920	27,358	6,469,278
Restricted for:			
Salary improvement program	1,467	0	1,467
Talented and gifted	17,623	0	17,623
Physical plant and equipment levy	240,731	0	240,731
Playground equipment replacement levy	16,194	0	16,194
Other special revenue purposes	43,713	0	43,713
Unrestricted	1,860,602	(111,133)	1,749,469
TOTAL NET ASSETS	\$ 8,622,250	(83,775)	8,538,475

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

VAN BUREN COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2006

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		Total
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business-Type Activities	
Functions/Programs							
Governmental activities:							
Instruction:							
Regular instruction	\$ 2,831,473	162,176	1,714,318	0	(954,979)	0	(954,979)
Special instruction	988,857	49,689	44,068	0	(895,100)	0	(895,100)
Other instruction	1,059,783	177,572	0	0	(882,211)	0	(882,211)
	4,880,113	389,437	1,758,386	0	(2,732,290)	0	(2,732,290)
Support services:							
Student services	253,214	0	0	0	(253,214)	0	(253,214)
Instructional staff services	333,161	0	0	0	(333,161)	0	(333,161)
Administration services	1,193,265	0	0	0	(1,193,265)	0	(1,193,265)
Operation and maintenance of plant services	632,636	0	0	0	(632,636)	0	(632,636)
Transportation services	629,632	1,150	1,272	0	(627,210)	0	(627,210)
	3,041,908	1,150	1,272	0	(3,039,486)	0	(3,039,486)
Non-instructional programs:							
Community service operations	1,907	0	0	0	(1,907)		(1,907)
Other expenditures:							
Facilities acquisitions	113,719	0	0	360,938	247,219	0	247,219
Long-term debt interest	78,435	0	0	0	(78,435)	0	(78,435)
AEA flowthrough	242,151	0	242,151	0	0	0	0
Depreciation (unallocated) *	68,171	0	0	0	(68,171)	0	(68,171)
	502,476	0	242,151	360,938	100,613	0	100,613
Total governmental activities	8,426,404	390,587	2,001,809	360,938	(5,673,070)	0	(5,673,070)
Business-Type activities:							
Instruction:							
Day care	22,892	22,892	0	0	0	0	0
Support services:							
Day care	16,367	16,367	0	0	0	0	0
Non-instructional programs:							
Nutrition services	314,159	162,924	142,271	0	0	(8,964)	(8,964)
Day care	170,585	76,611	28,282	0	0	(65,692)	(65,692)
	484,744	239,535	170,553	0	0	(74,656)	(74,656)
Total business-type activities	524,003	278,794	170,553	0	0	(74,656)	(74,656)
Total	\$ 8,950,407	669,381	2,172,362	360,938	(5,673,070)	(74,656)	(5,747,726)
General Revenues and Transfers:							
General Revenues:							
Property tax levied for:							
General purposes					\$ 2,396,255	0	2,396,255
Debt service					259,547	0	259,547
Capital outlay					155,917	0	155,917
Local option sales and services tax					438,558	0	438,558
Unrestricted state grants					3,368,582	0	3,368,582
Unrestricted investment earnings					79,122	593	79,715
Other					213,848	0	213,848
Gain on sale of equipment					543	0	543
Transfers					(49,484)	49,484	0
Total general revenues and transfers					6,862,888	50,077	6,912,965
Changes in net assets					1,189,818	(24,579)	1,165,239
Net assets beginning of year					7,432,432	(59,196)	7,373,236
Net assets end of year					\$ 8,622,250	(83,775)	8,538,475

* This amount excludes the depreciation that is included in the direct expense of various programs

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

VAN BUREN COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2006

	General	Capital Projects	Debt Service	Nonmajor Special Revenue Funds	Total
ASSETS					
Cash and pooled investments:					
ISCAP(Note 5)	\$ 961,661	0	0	0	961,661
Other	1,335,995	220,211	319,139	114,732	1,990,077
Receivables:					
Property tax:					
Delinquent	43,634	0	5,207	6,917	55,758
Succeeding year	1,993,146	0	100,762	375,276	2,469,184
Income surtax	216,849	0	0	0	216,849
Interfund	0	500	0	0	500
Accrued ISCAP interest(Note 5)	299	0	0	0	299
Due from other governments	350,119	187,780	0	146,008	683,907
TOTAL ASSETS	\$ 4,901,703	408,491	425,108	642,933	6,378,235
LIABILITIES AND FUND BALANCES					
Liabilities:					
Interfund payable	\$ 0	0	500	0	500
Accounts payable	798	0	0	0	798
ISCAP warrants payable(Note 5)	963,000	0	0	0	963,000
ISCAP accrued interest payable(Note 5)	245	0	0	0	245
ISCAP unamortized premium	7,328	0	0	0	7,328
Deferred revenue:					
Succeeding year property tax	1,993,146	0	100,762	375,276	2,469,184
Income surtax	216,849	0	0	0	216,849
Other	4,033	0	0	0	4,033
Total liabilities	3,185,399	0	101,262	375,276	3,661,937
Fund balances:					
Reserved for:					
Debt service	0	0	323,846	0	323,846
Salary improvement program	1,467	0	0	0	1,467
Talented and gifted	17,623	0	0	0	17,623
Unreserved:					
Undesignated	1,697,214	408,491	0	267,657	2,373,362
Total fund balances	1,716,304	408,491	323,846	267,657	2,716,298
TOTAL LIABILITIES AND FUND BALANCES	\$ 4,901,703	408,491	425,108	642,933	6,378,235

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

VAN BUREN COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2006

Total fund balances of governmental funds (page 15) \$ 2,716,298

*Amounts reported for governmental activities in the
 statement of net assets are different because:*

Capital assets used in governmental activities are not
 financial resources and, therefore, are not reported as
 assets in in the governmental funds. 7,866,297

Accounts receivable income surtax, are not yet available
 to finance expenditures of the current fiscal period. 216,849

Accrued interest payable on long-term liabilities is not
 due and payable in the current period and, therefore, is not
 reported as a liability in the governmental funds. (11,714)

Long-term liabilities, including bonds payable, early
 retirement and qualified zone academy bonds payable are not
 due and payable in the current period and, therefore, are
 not reported in the funds. (2,165,480)

Net assets of governmental activites (page 13) \$ 8,622,250

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

VAN BUREN COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2006

	General	Capital Projects	Debt Service	Nonmajor Special Revenue Funds	Total
REVENUES:					
Local sources:					
Local tax	\$ 2,236,763	438,558	259,547	315,409	3,250,277
Tuition	211,770	0	0	0	211,770
Other	275,194	4,757	6,073	188,408	474,432
State sources	3,942,852	0	281	330	3,943,463
Federal sources	1,424,283	0	0	360,938	1,785,221
Total revenues	8,090,862	443,315	265,901	865,085	9,665,163
EXPENDITURES:					
Current:					
Instruction:					
Regular instruction	2,809,494	0	0	0	2,809,494
Special instruction	988,857	0	0	0	988,857
Other instruction	887,079	0	0	172,704	1,059,783
	4,685,430	0	0	172,704	4,858,134
Support services:					
Student services	253,214	0	0	0	253,214
Instructional staff services	333,161	0	0	0	333,161
Administration services	1,096,742	0	0	29,334	1,126,076
Operation and maintenance of plant services	565,433	0	0	69,965	635,398
Transportation services	669,890	0	0	17,030	686,920
	2,918,440	0	0	116,329	3,034,769
Non-instructional programs:					
Community service operations	1,907	0	0	0	1,907
Other expenditures:					
Facilities acquisitions	0	0	0	584,711	584,711
Long-term debt:					
Principal	0	0	195,000	0	195,000
Interest and fiscal charges	0	0	79,935	0	79,935
AEA flowthrough	242,151	0	0	0	242,151
	242,151	0	274,935	584,711	1,101,797
Total expenditures	7,847,928	0	274,935	873,744	8,996,607
Excess(deficiency) of revenues over(under) expenditures	242,934	443,315	(9,034)	(8,659)	668,556
Other financing sources(uses):					
Sale of equipment	543	0	0	0	543
Transfers in	0	0	237,602	0	237,602
Transfers out	(49,484)	(208,388)	0	(29,214)	(287,086)
Total other financing sources(uses)	(48,941)	(208,388)	237,602	(29,214)	(48,941)
Net change in fund balances	193,993	234,927	228,568	(37,873)	619,615
Fund balance beginning of year	1,522,311	173,564	95,278	305,530	2,096,683
Fund balance end of year	\$ 1,716,304	408,491	323,846	267,657	2,716,298

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

VAN BUREN COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 JUNE 30, 2006

Net change in fund balances - total governmental funds(page 17) \$ 619,615

*Amounts reported for governmental activities in the
 statement of activities are different because:*

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 654,441	
Depreciation expense	<u>(260,258)</u>	394,183

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year repayments were as follows:

Repaid	195,000
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Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

1,500

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Early retirement	<u>(20,480)</u>
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Changes in net assets of governmental activities(page 14)	<u><u>\$ 1,189,818</u></u>
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SEE NOTES TO BASIC FINANCIAL STATEMENTS.

VAN BUREN COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2006

	Enterprise Funds		
	School Nutrition	Day Care	Total
ASSETS			
Cash and pooled investments	\$ 31,838	0	31,838
Inventories	7,283	0	7,283
Capital assets, net of accumulated depreciation(Note 6)	27,358	0	27,358
Total assets	66,479	0	66,479
LIABILITIES			
Excess of warrants issued over bank balance	0	148,113	148,113
Accounts payable	0	7	7
Unearned revenue	2,134	0	2,134
Total liabilities	2,134	148,120	150,254
NET ASSETS			
Investment in capital assets, net of related debt	27,358	0	27,358
Unrestricted	36,987	(148,120)	(111,133)
Total net assets	\$ 64,345	(148,120)	(83,775)

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

VAN BUREN COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2006

	Enterprise Funds		
	School Nutrition	Day Care	Total
OPERATING REVENUE:			
Local sources:			
Charges for services	\$ 162,924	115,870	278,794
TOTAL OPERATING REVENUES	162,924	115,870	278,794
OPERATING EXPENSES:			
Instruction:			
Regular instruction:			
Salaries	0	22,686	22,686
Supplies	0	206	206
	0	22,892	22,892
Support services:			
Operation and maintenance of plant services:			
Salaries	0	3,831	3,831
Benefits	0	424	424
Services	0	3,449	3,449
Supplies	0	8,663	8,663
	0	16,367	16,367
Non-instructional programs:			
Food service operations:			
Salaries	113,640	13,140	126,780
Benefits	15,545	1,674	17,219
Services	92	97	189
Supplies	179,508	19,898	199,406
Depreciation	5,374	0	5,374
Other enterprise operations:			
Salaries	0	82,371	82,371
Benefits	0	28,364	28,364
Services	0	17,302	17,302
Supplies	0	7,739	7,739
	314,159	170,585	484,744
TOTAL OPERATING EXPENSES	314,159	209,844	524,003
OPERATING LOSS	(151,235)	(93,974)	(245,209)
NON-OPERATING REVENUES:			
State sources	4,214	0	4,214
Federal sources	138,057	28,282	166,339
Interest income	593	0	593
TOTAL NON-OPERATING REVENUES	142,864	28,282	171,146
Change in net assets before other financing sources	(8,371)	(65,692)	(74,063)
OTHER FINANCING SOURCES:			
Transfer in	49,484	0	49,484
TOTAL OTHER FINANCING SOURCES	49,484	0	49,484
Change in net assets	41,113	(65,692)	(24,579)
Net assets beginning of year	23,232	(82,428)	(59,196)
Net assets end of year	\$ 64,345	(148,120)	(83,775)

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

VAN BUREN COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2006

	Enterprise Funds		
	School Nutrition	Day Care	Total
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 150,010	0	150,010
Cash received from miscellaneous operating activities	14,491	115,870	130,361
Cash payments to employees for services	(129,185)	(41,755)	(170,940)
Cash payments to suppliers for goods or services	(164,438)	(168,717)	(333,155)
Net cash used in operating activities	(129,122)	(94,602)	(223,724)
Cash flows from non-capital financing activities:			
State grants received	4,214	0	4,214
Federal grants received	123,112	28,282	151,394
Net cash provided by non-capital financing activities	127,326	28,282	155,608
Cash flows from capital and related financing activities:			
Purchase of capital assets	(1,488)	0	(1,488)
Net cash used in capital and related financing activities	(1,488)	0	(1,488)
Cash flows from investing activities:			
Interest on investments	593	0	593
Net cash provided by investing activities	593	0	593
Net decrease in cash and cash equivalents	(2,691)	(66,320)	(69,011)
Cash and cash equivalents at beginning of year	34,529	(81,793)	(47,264)
Cash and cash equivalents at end of year	\$ 31,838	(148,113)	(116,275)
Reconciliation of operating loss to net cash used in operating activities:			
Operating loss	\$ (151,235)	(93,974)	(245,209)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Commodities consumed	14,945	0	14,945
Depreciation	5,374	0	5,374
Decrease in inventories	217	0	217
Decrease in accounts payable	0	(628)	(628)
Increase in unearned revenue	1,577	0	1,577
Net cash used in operating activities	\$ (129,122)	(94,602)	(223,724)
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:			
Current assets:			
Cash and pooled investments	\$ 31,838	(148,113)	(116,275)

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2006, the District received Federal commodities valued at \$14,945.

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

VAN BUREN COMMUNITY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2006

(1) **Summary of Significant Accounting Policies**

The Van Buren Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the district either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the cities of Keosauqua, Stockport, Douds, Birmingham, Mount Sterling, Milton and Cantril, Iowa, and the predominate agricultural territory in Van Buren and Davis Counties. The district is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Van Buren Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Van Buren Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Van Buren and Davis County Assessors' Conference Boards.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues,

are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Investment in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net assets use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net asset consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the Government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Capital Projects Fund is utilized to account for all resources used in the acquisition and construction of capital facilities, with the exception of those that are financed through enterprise funds.

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's long-term debt.

The District reports the following major proprietary funds:

The District's proprietary funds are the Enterprise, School Nutrition Fund and the Day Care Fund. The School Nutrition Fund is used to account for the food service operations of the District. The Day Care Fund is used to account for the day care operations of the District.

C. Measurement Focus and Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the Government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2004 assessed property valuations; is for the tax accrual period July 1, 2005 through June 30, 2006 and

reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2005.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, machinery and equipment, are reported in the applicable governmental or business-type activities columns in the Government-wide statement of net assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 1,500
Buildings	1,500
Land improvements	1,500
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	2,000

Property, machinery and equipment are depreciated using the straight line method of depreciation over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20 years
Machinery and equipment	5-20 years

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the statement of net assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Unearned Revenue - Unearned revenues are monies collected for student fees and lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The lunch account balances are reflected on the balance sheet in the Enterprise, School Nutrition Fund.

Long-term Liabilities - In the Government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2006, expenditures in the non-instructional programs and other expenditures functions exceeded the amount budgeted.

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2006 were entirely covered by Federal depository insurance, collateralized with securities or letters of credit held by the District or the District's agent in the District's name, or by multiple financial institution collateral pool in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States Government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2006, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	Amortized Cost
Diversified Portfolio	<u>\$ 998,843</u>

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk. The investments in the Iowa Schools Joint Investment Trust were rated Aaa by Moody's Investors Service.

(3) Transfers

The detail of transfers for the year ended June 30, 2006 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Special Revenue, Physical Plant and Equipment Levy	\$ 29,214
Enterprise, School Nutrition	General	49,484
Debt Service	Capital Projects	<u>208,388</u>
Total		<u>\$ 287,086</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(4) Interfund Receivables and Payables

The detail of interfund receivables and payables at June 30, 2006 is as follows:

Receivable Fund	Payable Fund	Amount
Capital Projects	Debt Service	<u>\$ 500</u>

(5) Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. is the trustee for the program. A summary of the District's participation in ISCAP at June 30, 2006 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
2006-07A	6/28/07	6/28/07	\$ 961,661	299	963,000	245

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. There was no ISCAP advance activity in the General Fund for the year ended June 30, 2006.

The warrants bear interest and the available proceeds of the warrants are invested at the interest rates shown below:

Series	Interest Rates on Warrants	Interest Rates on Investments
2006-07A	4.500%	5.676%

(6) Capital Assets

Capital assets activity for the year ended June 30, 2006 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 39,311	0	0	39,311
Construction in progress	0	235,596	0	235,596
Total capital assets not being depreciated	39,311	235,596	0	274,907
Capital assets being depreciated:				
Buildings	8,379,456	235,396	0	8,614,852
Land improvements	38,588	0	0	38,588
Machinery and equipment	1,688,459	183,449	195,336	1,676,572
Total capital assets being depreciated	10,106,503	418,845	195,336	10,330,012
Less accumulated depreciation for:				
Buildings	1,333,305	66,034	0	1,399,339
Land improvements	5,856	2,137	0	7,993
Machinery and equipment	1,334,539	192,087	195,336	1,331,290
Total accumulated depreciation	2,673,700	260,258	195,336	2,738,622
Total capital assets being depreciated, net	7,432,803	158,587	0	7,591,390
Governmental activities capital assets, net	\$ 7,472,114	394,183	0	7,866,297

	Balance Beginning of of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Machinery and equipment	\$ 100,174	1,488	0	101,662
Less accumulated depreciation	68,930	5,374	0	74,304
Business-type activities capital assets, net	<u>\$ 31,244</u>	<u>(3,886)</u>	<u>0</u>	<u>27,358</u>

Depreciation expense was charged by the District as follows:

Governmental activities:

Instruction:

Regular instruction \$ 1,499

Support services:

Administration 72,189

Operation of plant and maintenance 2,433

Transportation 115,966

Administration 192,087

Unallocated depreciation 68,171

Total governmental activities depreciation expense \$ 260,258

Business-type activities:

Food services \$ 5,374

Total business-type activities depreciation expense \$ 5,374

(7) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2006 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
General Obligation Bonds	\$ 1,840,000	0	195,000	1,645,000	210,000
Qualified Zone Academy Bonds	500,000	0	0	500,000	0
Early Retirement	0	20,480	0	20,480	20,480
Total	<u>\$ 2,340,000</u>	<u>20,480</u>	<u>195,000</u>	<u>2,165,480</u>	<u>230,480</u>

General Obligation Bonds Payable

Details of the District's June 30, 2006 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond issue dated February 25, 1998			Bond issue dated April 1, 2003			Total		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Principal	Interest	Total
2007	4.350 %	\$ 180,000	64,022	2.000 %	\$ 30,000	6,263	210,000	70,285	280,285
2008	4.400	185,000	56,193	2.250	30,000	5,663	215,000	61,856	276,856
2009	4.400	195,000	48,052	2.500	30,000	4,987	225,000	53,039	278,039
2010	4.500	200,000	39,473	2.750	30,000	4,237	230,000	43,710	273,710
2011	4.600	210,000	30,472	3.000	35,000	3,413	245,000	33,885	278,885
2012	4.625	220,000	20,813	3.250	35,000	2,363	255,000	23,176	278,176
2013	4.625	230,000	10,638	3.500	35,000	1,225	265,000	11,863	276,863
Total		\$ 1,420,000	269,663		\$ 225,000	28,151	\$ 1,645,000	297,814	1,942,814

Qualified Zone Academy Bonds

During the year ended June 30, 2002, the District issued zero interest Qualified Zone Academy Bonds (QZAB). Annual transfers from the Physical Plant and Equipment Levy (PPEL) fund to a debt sinking fund will be made to pay the indebtedness due January 31, 2016, of \$500,000.

(8) Termination Benefits

The District offered a voluntary early retirement plan to its certified staff employees. Eligible employees must have been at least age fifty-five and employees must have completed twenty years of continuous service to the District. Employees were required to complete an application which was required to be approved by the Board of Education.

Early retirement incentive for each eligible employee approved by the Board was based on a \$10,000 incentive plus \$95 per sick day accumulated by the employee to a maximum of 105 days (maximum sick day benefit of \$9,975), subject to FICA tax of 7.65%.

The District shall issue two equal cash payments - one in August 2006 and one in January 2007.

A liability has been recorded in the Statement of Net Assets representing the District's commitment to fund non-current early retirement. The Special Revenue, Management Levy Fund will pay the liability in the next fiscal year.

(9) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2006 and 2005. Contribution requirements are established by state

statute. The District's contributions to IPERS for the years ended June 30, 2006 and 2005 was \$266,571 and \$226,941, equal to the required contributions for the year.

(10) Risk Management

Van Buren Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(11) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$242,151 for the year ended June 30, 2006 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(12) Construction Commitment

The District has entered into contracts totaling \$478,996 for the Stockport Elementary School Addition. As of June 30, 2006, costs of \$235,596 had been incurred against the contract. The balance of \$243,400 remaining at June 30, 2006 will be paid as work on the project progresses.

(13) Deficit Net Assets/Undesignated Fund Balance

The Enterprise Fund, Day Care Fund had deficit net assets of \$148,120 at June 30, 2006. The Special Revenue, Management Fund had a deficit undesignated fund balance of \$32,981 at June 30, 2006.

(14) Budget Overexpenditure

Per the Code of Iowa, expenditures may not legally exceed budgeted appropriations at the functional area level. During the year ended June 30, 2006, expenditures in the non-instructional programs and other expenditures functions exceeded the amount budgeted.

REQUIRED SUPPLEMENTARY INFORMATION

VAN BUREN COMMUNITY SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN BALANCES -
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
AND PROPRIETARY FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2006

	Governmental	Proprietary	Total	Budgeted Amounts		Final to
	Fund Types	Fund Type				Actual
	Actual	Actual	Actual	Original	Final	Variance -
						Positive
						(Negative)
Revenues:						
Local sources	\$ 3,936,479	279,387	4,215,866	4,121,231	4,121,231	94,635
State sources	3,943,463	4,214	3,947,677	4,089,589	4,089,589	(141,912)
Federal sources	1,785,221	166,339	1,951,560	1,580,000	1,580,000	371,560
Total revenues	9,665,163	449,940	10,115,103	9,790,820	9,790,820	324,283
Expenditures:						
Instruction	4,858,134	22,892	4,881,026	5,709,633	5,709,633	828,607
Support services	3,034,769	16,367	3,051,136	2,902,201	3,702,201	651,065
Non-instructional programs	1,907	484,744	486,651	721,261	321,261	(165,390)
Other expenditures	1,101,797	0	1,101,797	1,364,358	964,358	(137,439)
Total expenditures	8,996,607	524,003	9,520,610	10,697,453	10,697,453	1,176,843
Excess(deficiency) of revenues over(under) expenditures	668,556	(74,063)	594,493	(906,633)	(906,633)	(1,501,126)
Other financing sources(uses), net	(48,941)	49,484	543	62,500	62,500	61,957
Excess(deficiency) of revenues and other financing sources over(under) expenditures and other financing uses	619,615	(24,579)	595,036	(844,133)	(844,133)	(1,439,169)
Balance beginning of year	2,096,683	(59,196)	2,037,487	1,991,140	1,991,140	46,347
Balance end of year	\$ 2,716,298	(83,775)	2,632,523	1,147,007	1,147,007	1,485,516

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

VAN BUREN COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2006

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparison for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted on budget amendment reclassifying budgeted expenditures.

During the year ended June 30, 2006, expenditures in the non-instructional programs and other expenditures functions exceeded the amount budgeted.

OTHER SUPPLEMENTARY INFORMATION

VAN BUREN COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 JUNE 30, 2006

	Special Revenue Funds				
	Manage- ment	Student Activity	Physical Plant and Equipment Levy	Public Education Recreation Levy	Total Nonmajor Special Revenue
ASSETS					
Cash and pooled investments	\$ (36,493)	43,713	91,318	16,194	114,732
Receivables:					
Property tax:					
Current year delinquent	3,512	0	3,405	0	6,917
Succeeding year	225,000	0	150,276	0	375,276
Due from other governments	0	0	146,008	0	146,008
TOTAL ASSETS	\$ 192,019	43,713	391,007	16,194	642,933
LIABILITIES AND FUND EQUITY					
Liabilities:					
Deferred revenue:					
Succeeding year property tax	\$ 225,000	0	150,276	0	375,276
Total liabilities	225,000	0	150,276	0	375,276
Fund equity:					
Fund balances:					
Unreserved:					
Undesignated	(32,981)	43,713	240,731	16,194	267,657
Total fund balances	(32,981)	43,713	240,731	16,194	267,657
TOTAL LIABILITIES AND FUND EQUITY	\$ 192,019	43,713	391,007	16,194	642,933

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

VAN BUREN COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 YEAR ENDED JUNE 30, 2006

	Special Revenue Funds				Total Nonmajor Special Revenue
	Manage- ment	Student Activity	Physical Plant and Education Levy	Public Education Recreation Levy	
REVENUES:					
Local sources:					
Local tax	\$ 159,492	0	155,917	0	315,409
Other	848	177,572	9,848	140	188,408
State sources	168	0	162	0	330
Federal sources	0	0	360,938	0	360,938
TOTAL REVENUES	160,508	177,572	526,865	140	865,085
EXPENDITURES:					
Current:					
Instruction:					
Other instruction	0	172,704	0	0	172,704
Support services:					
Administration services	29,334	0	0	0	29,334
Operation and maintenance of plant services	69,965	0	0	0	69,965
Student transportation	17,030	0	0	0	17,030
Other expenditures:					
Facilities acquisitions	0	0	582,857	1,854	584,711
TOTAL EXPENDITURES	116,329	172,704	582,857	1,854	873,744
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	44,179	4,868	(55,992)	(1,714)	(8,659)
OTHER FINANCING USES:					
Transfers out	0	0	(29,214)	0	(29,214)
TOTAL OTHER FINANCING USES	0	0	(29,214)	0	(29,214)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	44,179	4,868	(85,206)	(1,714)	(37,873)
FUND BALANCE BEGINNING OF YEAR	(77,160)	38,845	325,937	17,908	305,530
FUND BALANCE END OF YEAR	\$ (32,981)	43,713	240,731	16,194	267,657

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

VAN BUREN COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
YEAR ENDED JUNE 30, 2006

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance Change	Balance End of Year
Athletics:					
Secondary Track	\$ 116	757	1,844	0	(971)
Boys Track	(673)	880	1,319	(506)	(1,618)
Secondary Golf	(292)	75	145	0	(362)
General Athletics	764	6,400	7,280	(153)	(269)
JR High Baseball	0	0	45	0	(45)
Secondary Softball	(3,672)	742	4,098	0	(7,028)
Secondary Football	468	6,027	3,086	0	3,409
Secondary Baseball	(4,006)	1,219	3,602	0	(6,389)
Secondary Cross Country	116	492	356	(65)	187
Secondary Volleyball	(340)	1,030	790	0	(100)
JR High Track	210	556	90	0	676
Secondary Girls Basketball	2,811	7,088	5,258	180	4,821
Secondary Boys Basketball	2,074	6,996	5,259	(180)	3,631
Uniforms	0	0	0	(941)	(941)
Secondary Wrestling	529	1,387	2,526	0	(610)
District Football	364	0	110	0	254
Total Athletics	(1,531)	33,649	35,808	(1,665)	(5,355)
Clubs and Organizations:					
Annual	2,689	3,175	6,863	0	(999)
The Udder Choice	0	8,070	5,267	0	2,803
Concession Enterprises	704	11,164	9,959	153	2,062
Cross Country	(56)	615	522	65	102
Drama	1,771	800	881	0	1,690
F.H.A.	176	80	2,829	2,162	(411)
Football	547	10,009	5,999	0	4,557
FFA	(1,004)	7,315	5,897	(2,162)	(1,748)
Industrial Arts	3,910	550	1,078	0	3,382
Art Club	(528)	2,724	780	0	1,416
Magazine Sales	(240)	2,364	1,986	0	138
Boys Track Fundraising	965	250	1,424	506	297
Media Club	86	0	0	0	86
National Honor Society	(311)	966	752	0	(97)
Golf Fundraiser	155	0	330	0	(175)
Pow Wow	449	0	0	0	449
Rhythm Squad	1,051	9,698	11,166	2,262	1,845
Softball	441	2,922	1,874	0	1,489
Baseball Fundraising	(1,373)	12,496	10,700	941	1,364
Spanish Club	(52)	475	441	0	(18)
Student Council	(2,482)	3,501	4,319	0	(3,300)
Girls Track Fundraising	41	0	0	0	41
JEL	0	0	20	0	(20)
Wrestling Fundraising	474	589	98	0	965
Volleyball Fundraising	(663)	705	796	0	(754)
Wrestling Cheerleaders	179	1,695	1,838	0	36
Boys Basketball Fundraising	4,181	3,326	4,469	0	3,038
Girls Basketball Fundraising	1,194	1,091	1,232	0	1,053
Football Cheerleaders	1,182	2,189	2,628	0	743
Basketball Cheerleaders	(722)	0	0	0	(722)
Total Clubs and Organizations	12,764	86,769	84,148	3,927	19,312

VAN BUREN COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
YEAR ENDED JUNE 30, 2006

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance Change	Balance End of Year
Classes:					
Class of 2004	(73)	0	0	0	(73)
Class of 2005	876	15	722	0	169
Class of 2006	3,401	120	1,273	(2,535)	(287)
Class of 2007	3,226	58	2,344	0	940
Class of 2008	2,524	0	0	0	2,524
Class of 2009	1,988	0	0	0	1,988
Class of 2010	807	0	0	0	807
Total Classes	12,749	193	4,339	(2,535)	6,068
Miscellaneous:					
Student Planners	103	0	0	0	103
Interest	449	300	522	0	227
Shop Projects	393	0	0	0	393
Teachers	(8,095)	8,416	10,839	0	(10,518)
Fines	61	0	0	0	61
Book Rent	0	6,361	0	273	6,634
Band	(839)	424	1,171	0	(1,586)
Chorus	224	2,382	1,838	0	768
Chorus/Band Fundraiser	(6,132)	22,470	14,064	0	2,274
Total Miscellaneous	(13,836)	40,353	28,434	273	(1,644)
Stockport Elementary:					
Stockport Band Resale	(64)	0	0	0	(64)
Stockport Enterprise	200	348	(5)	0	553
Stockport Gym Rent	20	0	0	0	20
Stockport Interest	106	88	194	0	0
Stockport Postage	0	300	415	0	(115)
Stockport Book Rent	10	1,058	201	0	867
Stockport Special Projects	12,932	2,611	5,320	0	10,223
Stockport Student Council	581	719	53	0	1,247
Total Stockport Elementary	13,785	5,124	6,178	0	12,731
Douds Elementary:					
Douds Band Resale	142	169	189	0	122
Douds Book Fair	359	1	0	0	360
Douds School Supplies	181	490	671	0	0
Douds Gym Rent	0	65	65	0	0
Douds Interest	0	73	73	0	0
Douds Library	328	1	0	0	329
Douds Postage	221	649	573	0	297
Douds Book Rent	0	1,358	1,358	0	0
Douds Special Projects	12,653	5,757	9,248	0	9,162
Douds Student Council	83	429	377	0	135
Douds PTO	947	2,492	1,243	0	2,196
Total Douds Elementary	14,914	11,484	13,797	0	12,601
Grand Total	\$ 38,845	177,572	172,704	0	43,713

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

VAN BUREN COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
 ALL GOVERNMENTAL FUND TYPES

		Modified Accrual Basis	
		2006	2005
Revenues:			
Local sources:			
Local tax	\$	3,250,277	2,895,547
Tuition		211,770	176,192
Other		474,432	330,392
State sources		3,943,463	3,691,297
Federal sources		1,785,221	1,013,094
Total		\$ 9,665,163	8,106,522
Expenditures:			
Current:			
Instruction:			
Regular instruction	\$	2,809,494	3,056,021
Special instruction		988,857	1,175,624
Other instruction		1,059,783	716,290
Support services:			
Student services		253,214	134,840
Instructional staff services		333,161	142,072
Administration services		1,126,076	733,788
Operation and maintenance of plant services		635,398	501,670
Transportation services		686,920	545,555
Other support services		0	146,418
Non-instructional programs		1,907	28,950
Other expenditures:			
Facilities acquisitions		584,711	312,463
Long-term debt:			
Principal		195,000	190,000
Interest and other charges		79,935	88,998
AEA flow-through		242,151	231,945
Total		\$ 8,996,607	8,004,634

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

VAN BUREN COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2006

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	EXPENDITURES
DIRECT:			
DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
21ST CENTURY COMMUNITY LEARNING CENTERS	84.287	FY 06	\$ 586,996
INDIRECT:			
DEPARTMENT OF AGRICULTURE:			
IOWA STATE UNIVERSITY:			
COOPERATIVE STATE RESEARCH, EDUCATION AND EXTENSION SERVICE (COMMUNITY VITALITY GRANT)	10.500	FY 05	4,744
IOWA DEPARTMENT OF EDUCATION:			
FOOD DONATION	10.550	FY 06	14,945
SCHOOL NUTRITION CLUSTER PROGRAMS:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 06	30,012
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 06	93,100
			123,112
CHILD AND ADULT CARE FOOD PROGRAM	10.558	FY 06	8,067
DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I GRANTS TO LOCAL EDUCA- TIONAL AGENCIES	84.010	6592-G	181,160
SAFE AND DRUG-FREE SCHOOLS AND COMMUNITIES - NATIONAL PROGRAMS	84.184	FY 06	539,605
SAFE AND DRUG-FREE SCHOOLS AND COMMUNITIES - STATE GRANTS	84.186	FY 06	20,232
FUND FOR THE IMPROVEMENT OF EDUCATION	84.215	FY 06	360,938
INNOVATIVE EDUCATION PROGRAM STRATEGIES (TITLE V)	84.298	FY 06	2,557
COMPREHENSIVE SCHOOL REFORM DEMONSTRATION	84.332	FY 05	80,708
TITLE IIA - FEDERAL TEACHER QUALITY PROGRAM	84.367	FY 06	56,292
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES (TITLE VIA)	84.369	FY 06	4,392

VAN BUREN COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2006

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	EXPENDITURES
INDIRECT (CONTINUED):			
AREA EDUCATION AGENCY:			
INSTRUCTIONAL DECISION MAKING MODEL	84.010	FY 06	<u>9,000</u>
SPECIAL EDUCATION - GRANTS TO STATES (PART B)	84.027	FY 06	<u>44,068</u>
VOCATIONAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY 06	<u>31,611</u>
ENHANCING EDUCATION THROUGH TECHNOLOGY	84.318	FY 06	<u>7,249</u>
DEPARTMENT OF HUMAN SERVICES:			
CONSOLIDATED KNOWLEDGE DEVELOPMENT AND APPLICATION (KD&A) PROGRAM	93.230	FY 06	<u>35,146</u>
DRUG-FREE COMMUNITIES SUPPORT PROGRAM	93.276	FY 06	<u>64,880</u>
CHILD CARE MANDATORY AND MATCHING FUNDS OF THE CHILD CARE AND DEVELOPMENT FUND (DHS REIMBURSEMENTS)	93.596	FY 06	<u>20,215</u>
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE:			
IOWA DEPARTMENT OF EDUCATION:			
LEARN AND SERVE AMERICA - SCHOOL AND COMMUNITY BASED PROGRAMS (COMSERV)	94.004	FY 06	<u>967</u>
TOTAL			<u>\$ 2,196,884</u>

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of Van Buren Community School District and is presented on the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in preparation of, the basic financial statements.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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Telephone (641) 792-1910

Independent Auditor's Report on Internal Control over Financial Reporting and
on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Board of Education of the
Van Buren Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Van Buren Community School District as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated August 17, 2006. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Van Buren Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part II of the accompanying Schedule of Findings and Questioned Costs.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item II-A-06 is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Van Buren Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain

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immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2006 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees, and citizens of Van Buren Community School District and other parties to whom Van Buren Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Van Buren Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.


NOLTE, CORNMAN & JOHNSON, P.C.

August 17, 2006

NOLTE, CORNMAN & JOHNSON P.C.

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Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

To the Board of Education of
Van Buren Community School District:

Compliance

We have audited the compliance of Van Buren Community School District with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2006. Van Buren Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants agreements applicable to each of its major federal programs is the responsibility of Van Buren Community School District's management. Our responsibility is to express an opinion on Van Buren Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Van Buren Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Van Buren Community School District's compliance with those requirements.

In our opinion, Van Buren Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

Internal Control Over Compliance

The management of Van Buren Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Van Buren Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted a matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in

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our judgment, could adversely affect Van Buren Community School District's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grant agreements. The reportable condition is described as item III-A-06 in the accompanying Schedule of Findings and Questioned Costs.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that non-compliance with applicable requirements of laws, regulations, contracts and grant agreements caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe item III-A-06 is a material weakness.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Van Buren Community School District and other parties to whom Van Buren Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be use by anyone other than these specified parties.

Nolte, Cornman & Johnson PC
NOLTE, CORNMAN & JOHNSON, P.C.

August 17, 2006

VAN BUREN COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2006

Part I: Summary of the Independent Auditor's Results:

- (a) An unqualified opinion was issued on the financial statements.
- (b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) A reportable condition in internal control over major programs was disclosed by the audit of the financial statements, including a material weakness.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed an audit finding which is required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - CFDA Number 84.184 - Safe and Drug-Free Schools and Communities - National Programs
 - CFDA Number 84.215 - Fund for the Improvement of Education
 - CFDA Number 84.287 - 21st Century Community Learning Centers
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Van Buren Community School District did not qualify as a low-risk auditee.

VAN BUREN COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2006

Part II: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

- II-A-06 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person. An independent person does not open the mail and prepare an initial listing of the checks received and later compare the listing to the receipts issued. Also, vouchers are processed, disbursements are recorded, and checks are prepared by the same person.

Recommendation - We realize segregation of duties is difficult with a limited number of office employees. However, the District should review its procedures to obtain the maximum internal control possible under the circumstances.

Response - We will continue to review our procedures and implement additional controls where possible.

Conclusion - Response accepted.

- II-B-06 Checks Outstanding - We noted during our audit that the District had checks included in the bank reconciliation for the Special Revenue, Student Activity Fund which have been outstanding for over a year.

Recommendation - Per Chapter 556.1(10) and 556.11 of the Code of Iowa, the District is required to report unclaimed property to the State Treasurer annually before November 1st. The District should submit the outstanding checks to the State Treasurer as unclaimed property.

Response - We will submit the outstanding checks to the State Treasurer as unclaimed property.

Conclusion - Response accepted.

- II-C-06 Authorized Check Signatures - Checks written from the Student Activity Fund have two signatures; however, the board president is not signing these checks.

Recommendation - The Board President and Board Secretary are required to sign all checks written by the District to be in compliance with Chapter 291.1 and Chapter 291.8 of the Code of Iowa. The District should review the current process and adopt procedures to comply with Chapters 291.1 and 291.8 of the Code of Iowa.

Response - We will review procedures and make appropriate changes.

Conclusion - Response accepted.

- II-D-06 Supporting Documents for Payments with Credit Cards - Payments made with credit cards do not always have detailed supporting documentation. We also noted during our

audit that there was no detailed receipt for an individual seeking reimbursement for supply purchases.

Recommendation - The District has a policy in place for credit card usage. The users of the credit cards need to provide detailed receipts for purchases made. The District should review procedures in place to ensure the proper detailed documentation will be available with paid credit card statements. The District must maintain supporting documentation for reimbursement or no reimbursement should be made to individuals. The District should review procedures in place to ensure the proper detailed documentation will be available with reimbursements to individuals.

Response - We will investigate and implement necessary changes to be in compliances.

Conclusion - Response accepted.

II-E-06 Student Activity Fund - During our audit issues arose about the properness of certain accounts or certain receipts and expenditures collected/paid from the Student Activity Fund. Inappropriate expenditures would include any expenditure more appropriate to other funds. The student activity fund shall not be used as a clearing account for any other fund. This is not an appropriate fund to use for public tax funds, trust funds, state and federal grants or aids, textbook/library book fines, fees, rents, or sales, textbook/library book purchases, sales of school supplies, curricular activities, or any other revenues or expenditures more properly included in another fund. Moneys in this fund shall be used to support only the cocurricular program defined in department of education administrative rules (298A.8). Fundraisers and donations made to the school should be recorded in the fund in which they could be expended from. More specific examples of these instances are as follows:

There is a Teacher account. This account is not a student run organizations and should be run through the General Fund. The proceeds from pop sales are included here. The expenditures for pop exceed the revenues received.

There are book rents, fines and gym rent accounts. These accounts are not student run organizations and should be run through the General Fund.

There is an Industrial Arts account. This account is not a student run organizations and should be run through the General Fund and appears to be instructional in nature.

There are Special Project accounts. These accounts are not student run organizations and should be run through the appropriate fund, depending on what the projects are for.

There are Interest accounts. These accounts should be allocated among the Student Activity Funds that earned the interest. This allocation should be done at least annually, since the Interest accounts are not student run organizations.

There are past graduating class accounts. These accounts should be closed and allocated to the other student activity accounts.

Recommendation - The purpose of the Student Activity Fund is to account for financial transactions related to the cocurricular and extracurricular activities offered as a part of the education program for the students established under Iowa Administrative Code 281-12.6(1). The District should review the propriety of receipts and expenditures that are recorded in the Student Activity Fund. It would appear that some of the accounts appear to be more administratively maintained in nature, rather than maintained by a club or organization. Therefore, they need to be corrected or transferred to the proper fund where

these monies can be receipted and expended. Interest needs to be allocated to the various Student Activity Funds that earned the interest.

Response - We will investigate available alternatives and implement as soon as possible.

Conclusion - Response accepted.

- II-F-06 Supporting Documentation - We noted during our audit, three instances of no supporting documentation to go with the cancelled check stubs and purchase orders.

Recommendation - The District should review their procedures that are in place to ensure that all bills are supported, approved and paid from an invoice with a purchase order. The District should adopt processes and procedures to use when an invoice may not be available, such as requiring additional approval or requiring support document other than an invoice.

Response - We will review procedures and make appropriate changes.

Conclusion - Response accepted.

- II-G-06 Purchase Orders - We noted during our audit that disbursements didn't have a purchase order. We also noted that the disbursements that used requisition forms as a purchase order. In the case that the requisition forms were used, the requisition forms were dated after the invoice date.

Recommendation - Better internal control is achieved when pre-numbered purchase orders are used and the sequence is monitored. The District should review the purchase order system in place. Purchase orders provide approval to order, therefore, pre-numbered purchase orders should be approved by the administrator before the ordering of supplies takes place.

Response - We will review procedures and make appropriate changes.

Conclusion - Response accepted.

- II-H-06 Payroll Hiring Procedures - We noted during our audit that the Director of the Daycare was hiring summer help directly rather than through the established process of hiring employees.

Recommendation - The District should review procedures in place to ensure that the established hiring policies and procedures are followed.

Response - We will review procedures and make appropriate changes.

Conclusion - Response accepted.

VAN BUREN COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2006

Part III: Findings and Questioned Costs for Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

CFDA Number 84.184: Safe and Drug-Free Schools and Communities - National Programs
Federal Award Year: 2006

U.S. Department of Education

Passed through the Iowa Department of Education

CFDA Number 84.215: Fund for the Improvement of Education

Federal Award Year: 2006

U.S. Department of Education

Passed through the Iowa Department of Education

CFDA Number 84.287: 21st Century Community Learning Centers

Federal Award Year: 2006

U.S. Department of Education

III-A-06 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done by the same person.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - We will continue to review our procedures and implement additional controls where possible.

Conclusion - Response accepted.

VAN BUREN COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2006

Part IV: Other Findings Related to Statutory Reporting

IV-A-06 Certified Budget - District disbursements for the year ended June 30, 2006 exceeded the amount budgeted in the non-instructional programs and other expenditures functions.

Recommendation - The budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response - We will amend the budget if necessary in the future.

Conclusion - Response accepted.

IV-B-06 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.

IV-C-06 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

IV-D-06 Business Transactions - No business transactions between the District and District officials were noted.

IV-E-06 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

IV-F-06 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

IV-G-06 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.

IV-H-06 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

IV-I-06 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely, and we noted no significant deficiencies in the amounts reported.

IV-J-06 Financial Condition - The District had a deficit unreserved net assets of \$148,120 in the Enterprise - Day Care Fund. The District had a deficit undesignated fund balance of \$32,981 in the Special Revenue, Management Fund. The District had several accounts in the Special Revenue, Student Activity Fund with deficit balances at June 30, 2006

Recommendation - The District should continue to monitor these funds and investigate alternatives to eliminate the deficits. The District should review purchase approval procedures for the Student Activity Fund and may wish to require additional approval before ordering goods or services from these accounts. The District should investigate alternatives to eliminate these deficit account balances.

Response - We will monitor these funds and investigate any available options to eliminate these deficits.

Conclusion - Response accepted.